THE GLOBAL MARKET FOR ORGANIC STILL WINE 2012-22

January 2019

2019
28.29.30
JANVIER JANUARY
MONTPELLIER FRANCE

MillésimeBIO
MONDIAL DU VIN BIOLOGIQUE WORLD ORGANIC WINE FAIR

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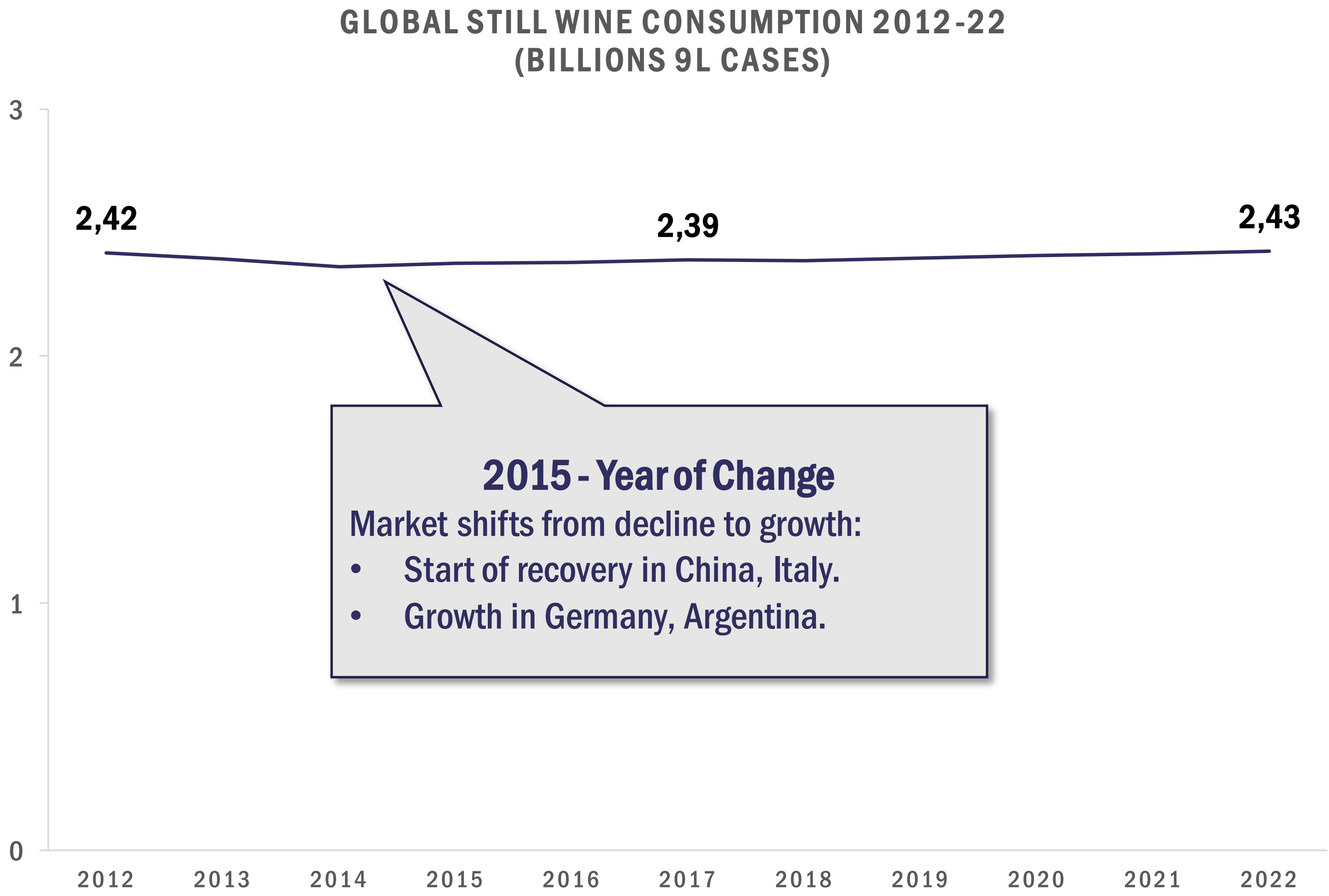
IWSR

CONTEXT

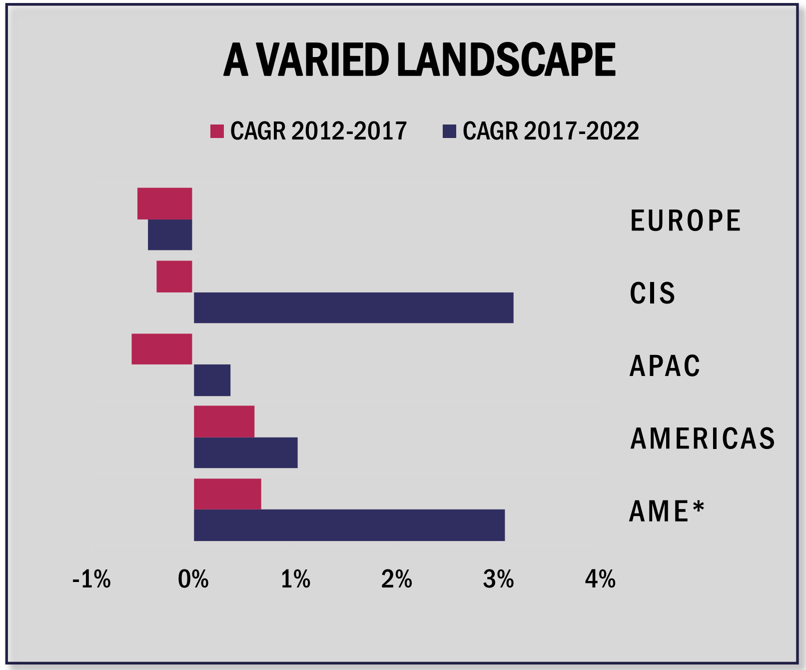
ORGANIC WINE 2012-17

ORGANIC WINE 2017-22

Global consumption of **still wine** is largely **flat** but different regions tell **different stories**. The market is forecast to **rebound** slightly in 2017-22, growing by 35m cases.

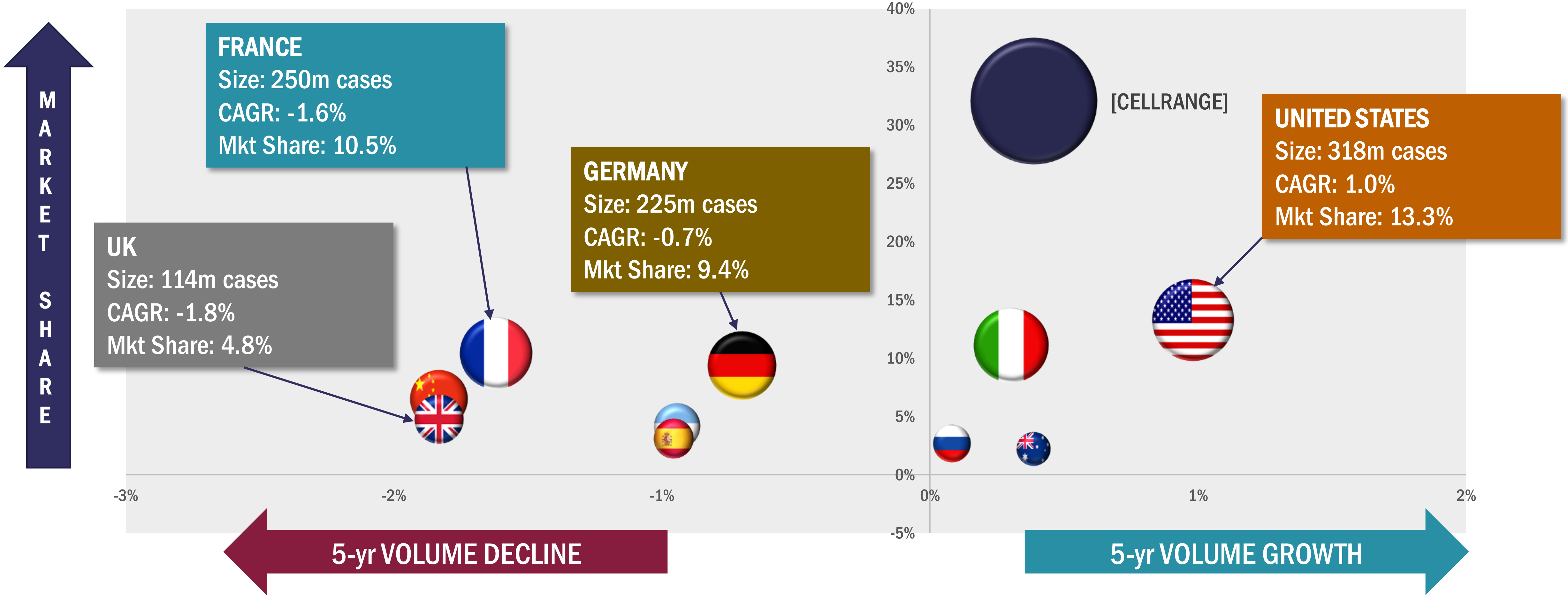


	Vol 2017	CAGR 2012-17	CAGR 2017-22
Local	1.61	-0.6%	0.3%
Imported	0.78	0.6%	-0.2%
Total	**2.39**	**-0.2%**	**0.3%**



Source: The IWSR
Excludes Travel Retail
*Africa & Middle East

Where there was **growth**, it has been **slow**. The **US** is a key driving force for the global industry. Major established markets **Germany**, **France** and **UK** have been declining.



TOTAL STILL WINE

Source: The IWSR
Excludes Travel Retail

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CHANGING OF THE GUARD

- Young Winemakers / New Drinkers
- Shifting habits
- Millennials

MAINSTREAMISATION

- Rise of Affordable Wines
- Spain & Chile
- China & other Emerging Markets

TRENDSETTING USA

- Leading Growth / Innovation
- Category Blur
- Premiumisation

ROSÉ

- 'Millennial Pink'
- Brosé/Frosé
- #Roséallday

NEW 'NORMAL' IN EUROPE

- France, Germany, UK
- Premiumisation
- 'Brexit'

INNOVATION

- New Packaging / New Finishes
- New Occasions
- Branding

Source: The IWSR
Excludes Travel Retail

IWSR

Looking Ahead, overall still wine development is forecast to be **flat at a CAGR of 0.3%** in 2017-22. The outlook for **imports is more positive**, especially in **emerging markets**.

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Growth Markets 2017-22 (Mns 9l cases)[1]

COUNTRY	Volume 2017	Volume 2022	CAGR 2017-22
US	318.2	332.5	0.9%
Russia	65.4	76.0	3.1%
Brazil	32.4	38.5	3.5%
Angola	3.6	8.9	19.8%
Ukraine	10.5	14.0	5.9%
Portugal	46.4	49.8	1.4%
Canada	47.1	50.4	1.4%
Romania	50.3	53.4	1.2%
Poland	12.2	15.0	4.2%
Australia	53.2	55.6	0.9%
Others	*1,751.9*	*1,732.3*	*-0.2%*
Total	**2,391.2**	**2,426.3**	**0.3%**

Imported **Growth Markets 2017-22 (Mns 9l cases)[1]**

COUNTRY	Volume 2017	Volume 2022	CAGR 2017-22
China	61.4	89.7	7.9%
Russia	25.4	40.8	10.0%
Angola	3.6	8.9	19.8%
Brazil	11.3	16.0	7.3%
Poland	12.2	14.9	4.1%
US	79.9	82.2	0.6%
Canada	33.9	36.0	1.2%
Nigeria	2.5	3.6	7.8%
Japan	24.0	24.9	0.7%
Namibia	2.5	3.3	6.1%
Others	*528.0*	*512.8*	*-0.6%*
Total	**784.5**	**833.1**	**1.2%**

Source: The IWSR
Excludes Travel Retail
1. Sorted by actual growth

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CONTEXT

ORGANIC WINE 2012-17

ORGANIC WINE 2017-22

IWSR

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BUT FIRST – Sulphites: A Tale of Two Conventions

- A wine can be defined "Organic" when it is produced according to the Regulation of the European Commission (EC) no. 203/2012, that is: (in the vineyard) produced from "organic" grapes;(in the cellar) produced using only products and processes authorized by the Regulation (EC) No 203/2012. Until 2012, there were no EU rules or definition of "organic wine". Only grapes could be certified organic and only the mention "wine made from organic grapes" was allowed. In February 2012, new EU rules have been agreed. **The new regulation has identified oenological techniques and substances to be authorized for organic wine, including a maximum sulphite content (set at 100 mg per litre for red wine and 150 mg/L for white/rosé).**

(Source: http://wineobservatorysustainability.eu/en/sharing/Organic-Wine-EU-certification.112/)

- Before wine can be sold as organic, both the growing of the grapes and their conversion to wine must be certified. This includes making sure grapes are grown without synthetic fertilizers and in a manner that protects the environment and preserves the soil. Other agricultural ingredients that go into the wine, such as yeast, also have to be certified organic. Any non-agricultural ingredients must be specifically allowed on the National List of Allowed and Prohibited Substances (see Allowed and Prohibited Substances) and can't exceed 5% of the total product. **And, while wine naturally produces some sulphur dioxide (sulphites), they can't be added to organic wine.** Sulphites are commonly added to wines to stop the fermentation process or preserve the flavour profile.

(Source: https://www.usda.gov/media/blog/2013/01/08/organic-101-organic-wine)

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BUT FIRST – How do we define organic?

???

EU Organic Winemaking Framework

US / Canada Legislation

Certification / Trade Bodies

Source: The IWSR

IWSR

ORGANIC STILL WINE

Global **organic** still wine consumption has been growing at **double-digits** since 2012 reaching **56m** cases in 2017. Much of this impetus is from **Europe** which accounts for three-quarters of all consumption.

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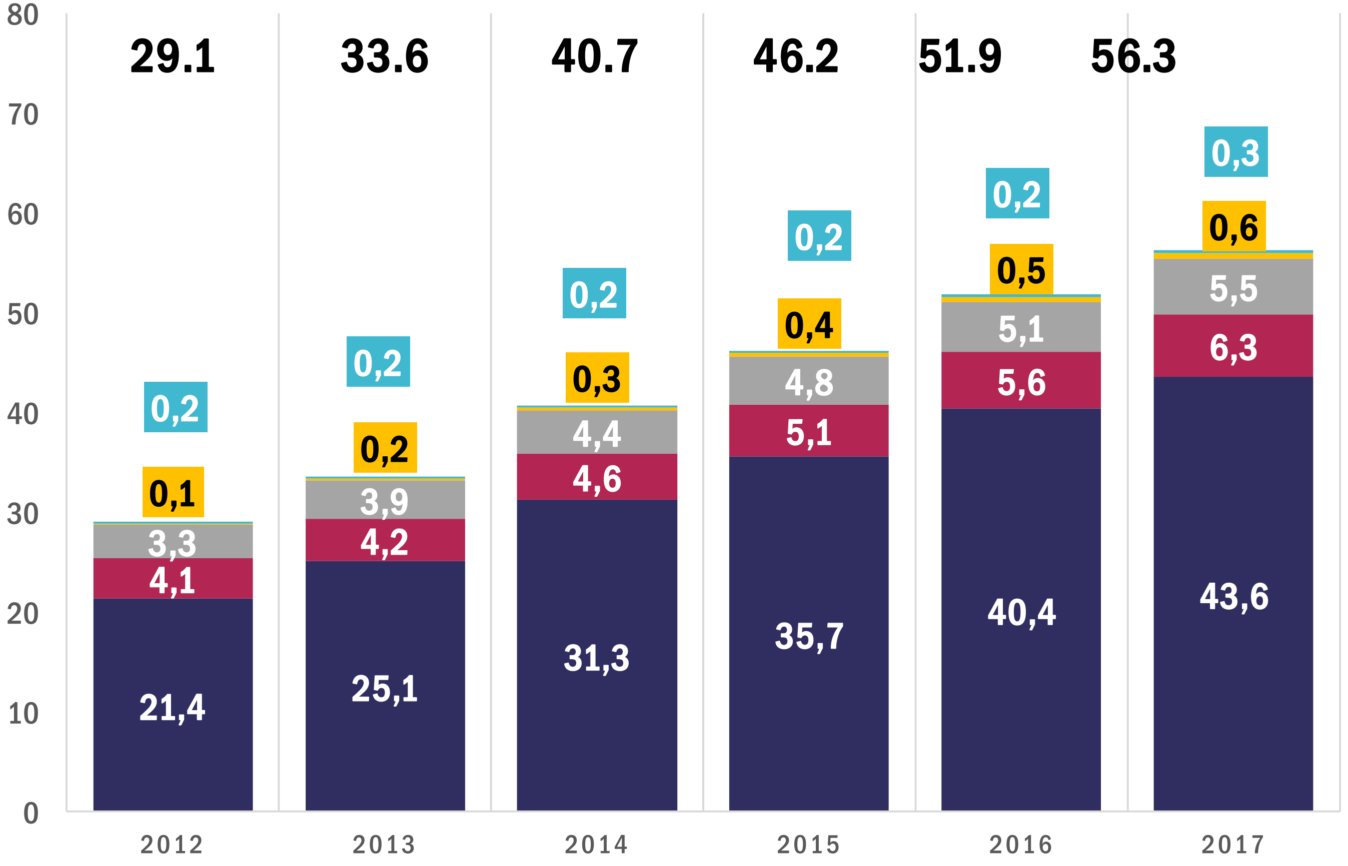
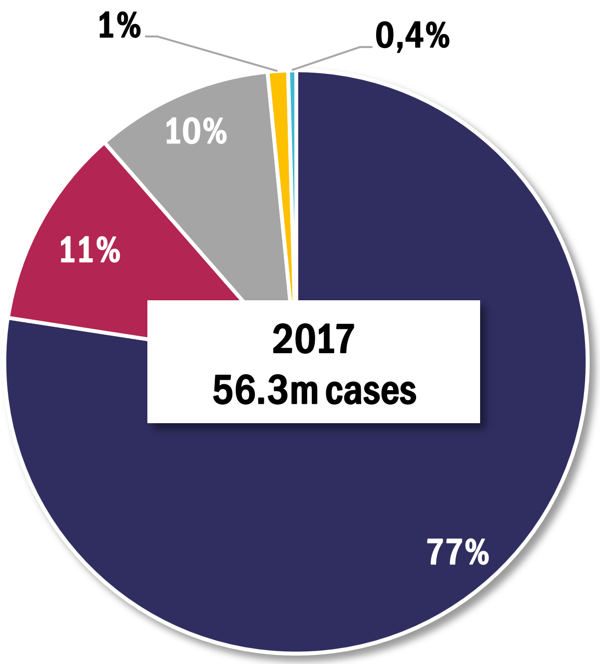
GLOBAL ORGANIC STILL WINE CONSUMPTION 2012-17
(MILLIONS 9L CASES)



CAGR 2012-17

Total	+14.1%
CIS	+4.0%
AME*	+52.5%
APAC	+10.6%
Americas	+9.1%
Europe	+15.3%

SHARE BY REGION 2017



Source: The IWSR
Excludes Travel Retail
*Africa & Middle East

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ORGANIC STILL WINE

Four of the world's biggest organic wine consumers are in Europe – **Germany, France, UK** and **Sweden.** Combined they account for **well over half of net growth** over the past five years.

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Leading Markets 2017 (Mns 9l cases)

Rk	COUNTRY	Volume 2017	Share 2017	CAGR 2012-17
1	Germany	13.5	23.9%	17.9%
2	France	9.3	16.4%	15.1%
3	UK	5.7	10.2%	11.2%
4	US	4.5	7.9%	12.4%
5	Sweden	4.2	7.4%	34.6%
6	Japan	3.4	6.0%	8.2%
7	Austria	1.9	3.4%	3.9%
8	Italy	1.3	2.4%	30.0%
9	Spain	1.3	2.2%	45.0%
10	Hungary	1.2	2.0%	2.0%
-	*Others*	*10.2*	*18.1%*	*10.0%*
-	**Total**	**56.3**	-	**14.1%**

Growth Markets 2012-17 (Mns 9l cases)

Rk	COUNTRY	Volume 2017	Growth 2012-17	Net Growth Share 2017
1	Germany	13.5	7.6	27.7%
2	France	9.3	4.7	17.2%
3	Sweden	4.2	3.2	11.9%
4	UK	5.7	2.4	8.7%
5	US	4.5	2.0	7.2%
6	Japan	3.4	1.1	4.0%
7	Spain	1.3	1.1	3.9%
8	Italy	1.3	1.0	3.6%
9	Norway	0.6	0.5	2.0%
10	China	0.8	0.5	1.7%
-	*Others*	*11.9*	*3.3*	*12.2%*
-	**Total**	**56.3**	**27.2**	-

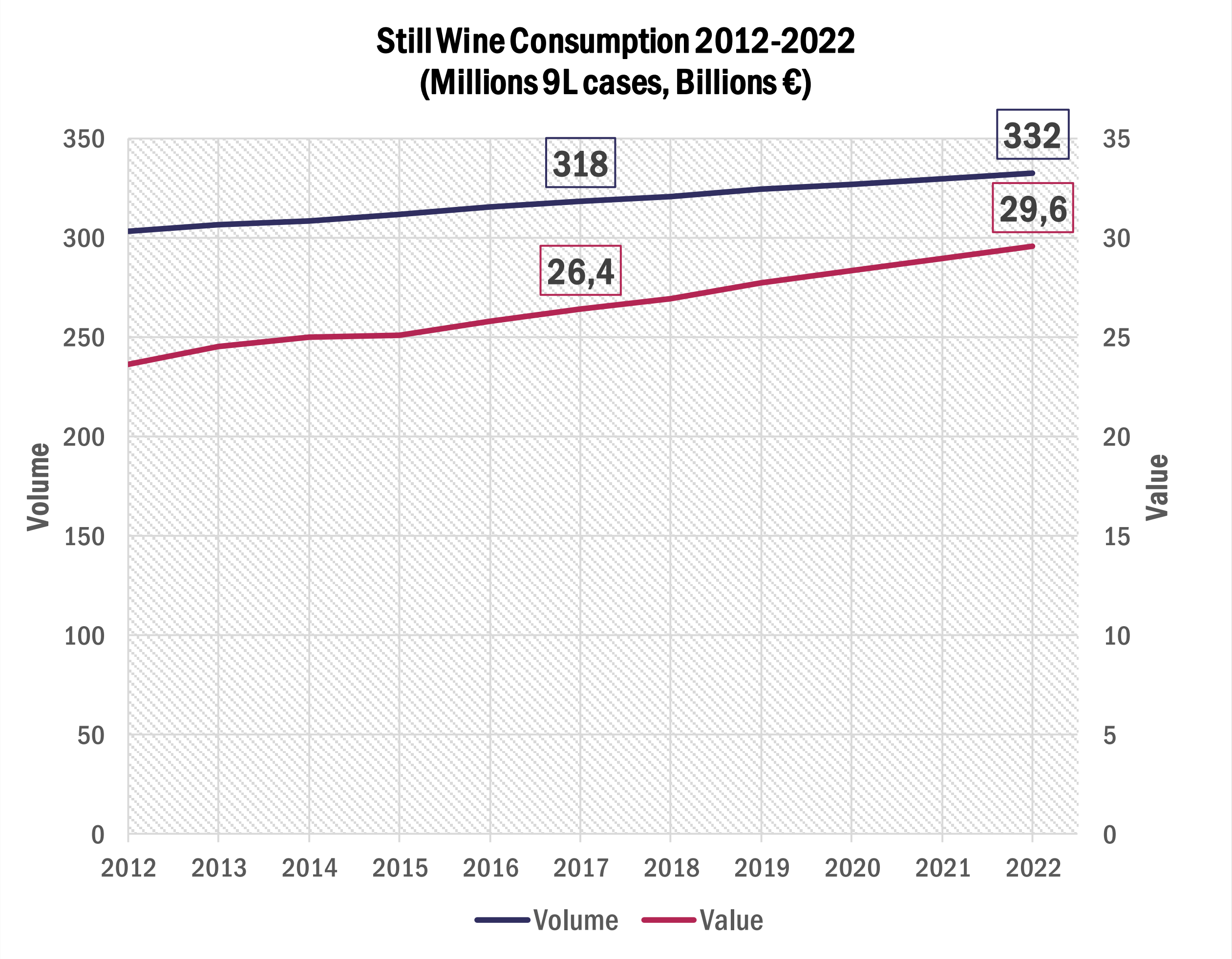
66%

Source: The IWSR
Excludes Travel Retail

IWSR

CASE STUDY: UNITED STATES

- The US is a prosperous, growing economy
- Unlike other major countries, **still wine consumption overall is increasing**
- US shoppers are continually trading up by paying ever-higher prices.
- In 2017, the overall still wine market reached **318m cases**…
- And a value of **€26.4bn.**
- Category sales are forecast to reach **332m cases by 2022**…
- And a value of **€29.6bn.**

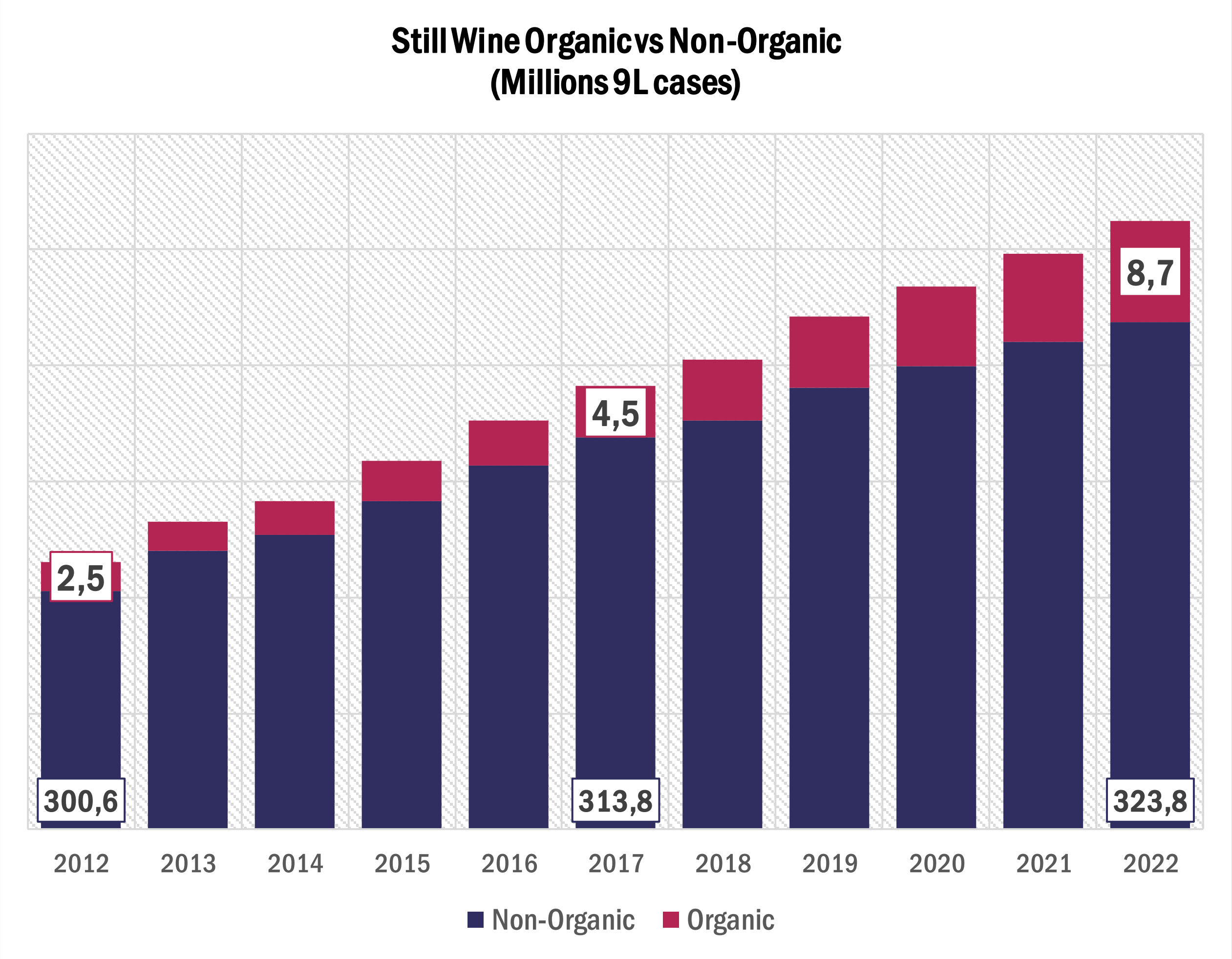


Source: The IWSR
Excludes Travel Retail

CASE STUDY: UNITED STATES

US STILL	*Share*	Volume 2017	CAGR 2012-17	CAGR 2017-22
Organic	*1.4%*	4.5	12.4%	14.3%
Non-Organic	*98.6%*	313.8	0.9%	0.6%
Total		**318.2**	**1.0%**	**0.9%**

- Organic wine matches this broad trend but is operating off a **very low base.**
- Growth levels are much **higher** than non-organic wines, however…
- …And growth is expected to **accelerate** to 2022.
- Organic wine consumption is forecast to reach **8.7m cases by 2022**.



Source: The IWSR
Excludes Travel Retail

CASE STUDY: UNITED STATES – Market Drivers

- **Legal criteria**:
  - All grapes and other agricultural ingredients (including yeast, if commercially available) must be **certified organic**, except those on the National List of Allowed and Prohibited Substances compiled by the US National Organic Standards Board (NOSB).
  - Non-agricultural ingredients must be specifically allowed on the National List and may not exceed a combined 5 percent of the total product (excluding salt and water).
  - Sulphur dioxide (sulphites) may **not** be added, unlike in the EU.
  - Labels must state the **name of the certifying agent** ('certified organic by * * *' or similar).
- Consumer concerns regarding **health, the environment, and animal welfare**
- 93% in conventional and specialist supermarkets; remainder in farmers' markets, food service and online

Source: The IWSR

CASE STUDY: UNITED STATES – Market Drivers

- **The typical US organic wine consumer:**
  - **Millennial** generation
  - Skewed towards **women**
  - **Higher than average disposable income**
  - A focus on **healthy lifestyles** and a preference for organic, natural food and beverage products

Source: The IWSR

CASE STUDY: UNITED STATES – Market Drivers

- Key target geographical areas are:
  - **Leading wine producing states** (California, Washington, New York, Oregon)
  - Major **metropolitan markets** (New York City, Los Angeles, Chicago, Dallas/Houston, San Francisco)
  - States & markets that **over-index with Millennial consumers** along with higher disposable income levels

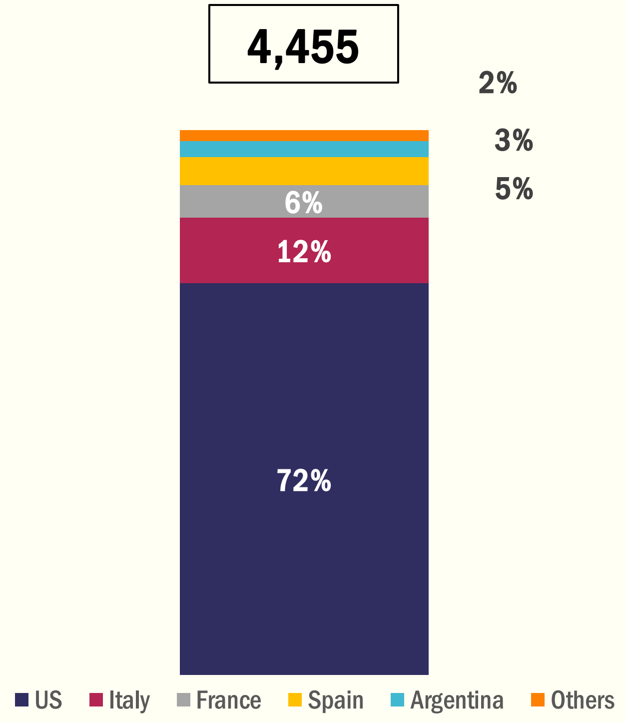
- Those where organic does **not** prosper include:
  - States with little wine production and no major metro markets, eg Alaska, Wyoming, Mississippi, North Dakota, Montana, Delaware

Source: The IWSR

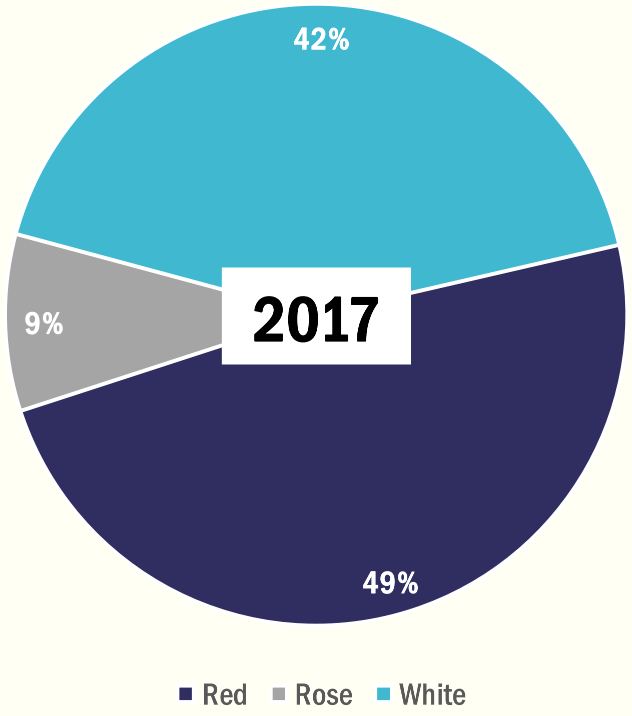
CASE STUDY: UNITED STATES

2017 SNAPSHOT

Organic Wine Share by Origin
(Volume 000s 9l cases)



Organic Wine Share by Colour



Average Price per 75cl[1]

*IWSR segmentation is based on price and converted to equivalent price points for global comparison. Equivalent price points are: Super Premium+ (>€15); Premium (€7.50-€14.99); Standard (€3.00-€7.49); Value and Below (<€3)

Source: The IWSR

1. Across **all domestic** channels, excludes Travel Retail

Executive Summary

The US is a prosperous, growing economy where, unlike other key countries, **still wine consumption overall is increasing**, and with this US shoppers are continually trading up by paying ever-higher prices.

Organic wine matches this broad trend but is operating off a **very low base albeit reaching high growth levels** – much higher than the non-organic market. And growth is expected to accelerate continuously through 2022.

Domestic organic wines will drive this growth, as they do the broader category; however, there is plenty of opportunity for organic wines from Italy and France.

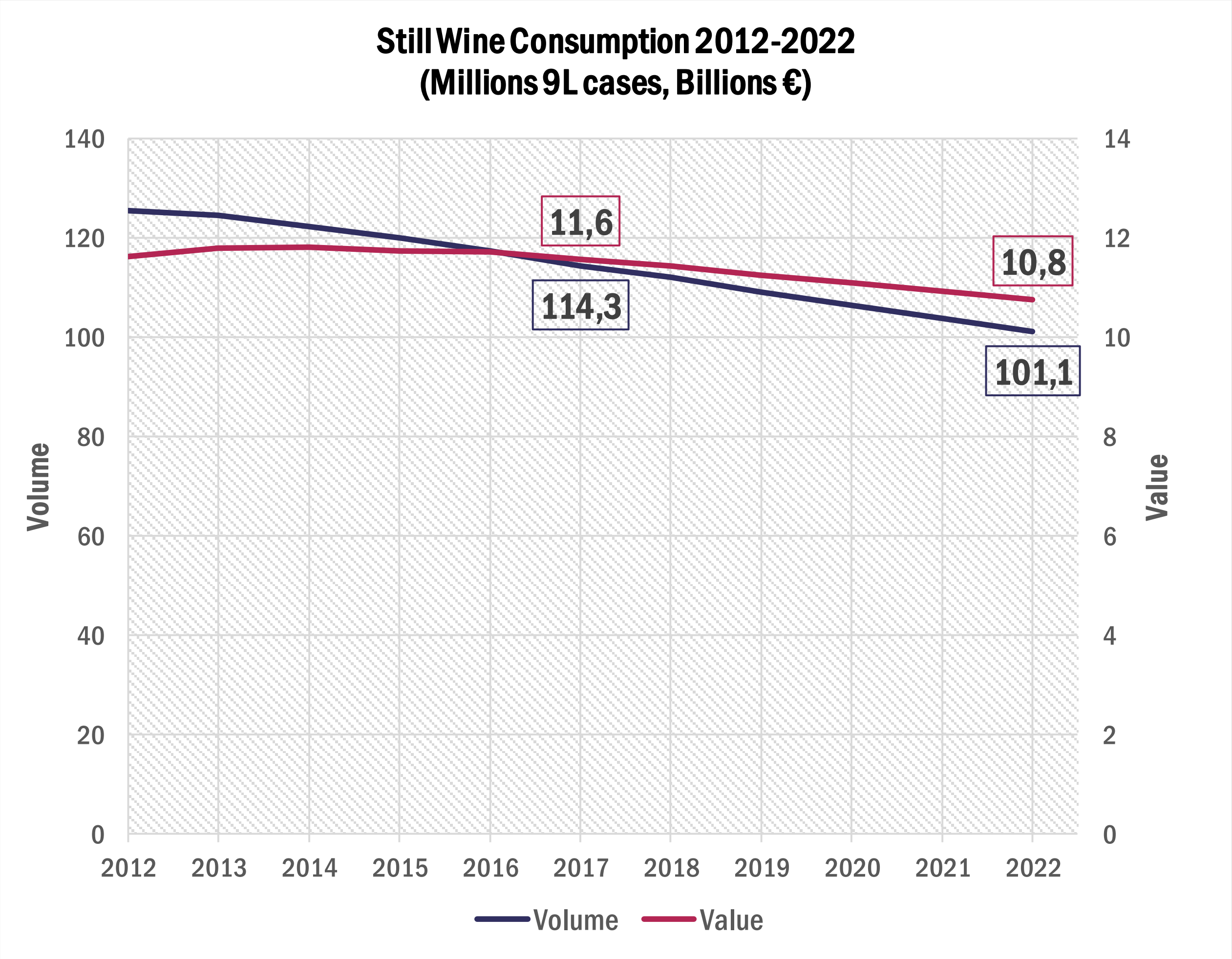
Both are viewed very favourably at higher price points (above equivalent €10). This is the space that organic wines operate in as **US consumers equate higher prices/quality with organic certification**.

While there is lots of growth potential in the US, distribution of imported organic wines needs to focus on **key metropolitan areas**; New York, LA, Chicago, etc..

Source: The IWSR

CASE STUDY: UNITED KINGDOM

- **Total UK wine consumption is in decline**
- Still wine is losing share to sparkling as prosecco takes share…
- …However, it still accounts for over **eight in every ten bottles** of wine consumed.
- The rate of value decline is softer than volume decline due to some degree of **trading up and price inflation**
- By 2022, UK still wine category sales are forecast to have fallen **to 101m cases, €10.8bn.**

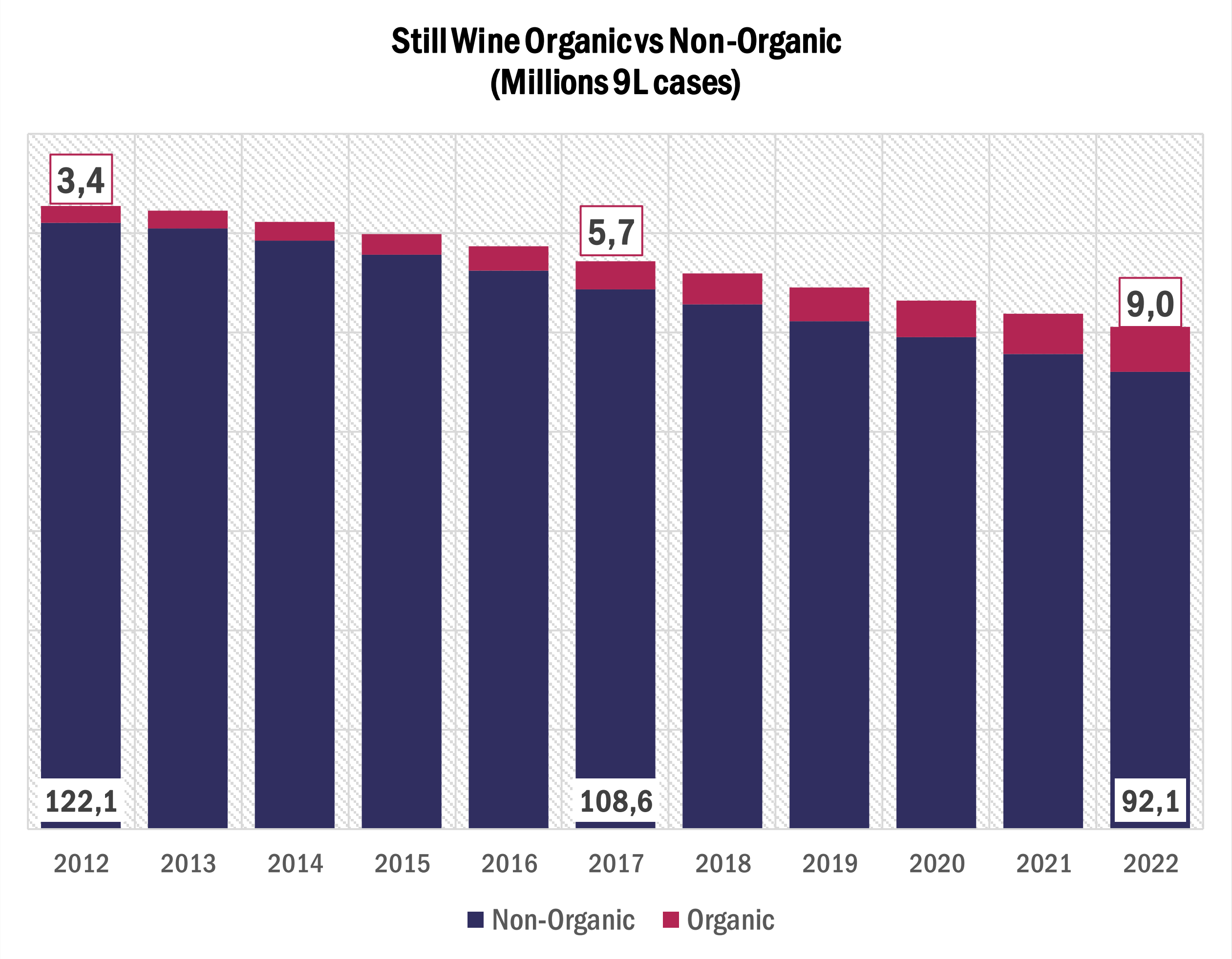


Source: The IWSR
Excludes Travel Retail

CASE STUDY: UNITED KINGDOM

UK STILL	*Share*	Volume 2017	CAGR 2012-17	CAGR 2017-22
Organic	*5.0%*	5.7	11.2%	9.4%
Non-Organic	*95.0%*	108.6	-2.3%	-3.2%
Total		**114.3**	**-1.8%**	**-2.4%**

- Organic wine has **taken share from non-organic**, and is **growing in a declining market**…
- However, they remain **niche.**
- Organic volumes increased at **double-digits in 2012-17…**
- …**Strong growth** is forecast to **continue**, despite **Brexit** with a forecast CAGR of 9.4% to 2022.



Source: The IWSR
Excludes Travel Retail

CASE STUDY: UNITED KINGDOM – Market Drivers

- **EU regulations apply**. Sulphites permitted but limited.
- **Overt certification**: EU organic logo and the UK Soil Association.
- Sales of **organic produce overall** are growing strongly.
- Countries of origin like Italy, France and Spain, which are in decline across the total category (incl. non-organic), are **thriving in the organic space**.
- UK consumers are prepared to pay a **much higher price** (+27%) for organic wines.
- **Brexit** needs to be watched
- **Supermarkets** dominate (70%), independents are strong (15%), online is growing
- **Conscientious consumption** is growing
- **Low levels of understanding**, but changing: Health Awareness, Premiumisation & Availability

Source: The IWSR

CASE STUDY: UNITED KINGDOM – Market Drivers

- **The typical UK Organic Wine consumer:**
  - Wine lovers and/or regular buyers of organic produce
  - Wealthier classes
  - Metropolitan

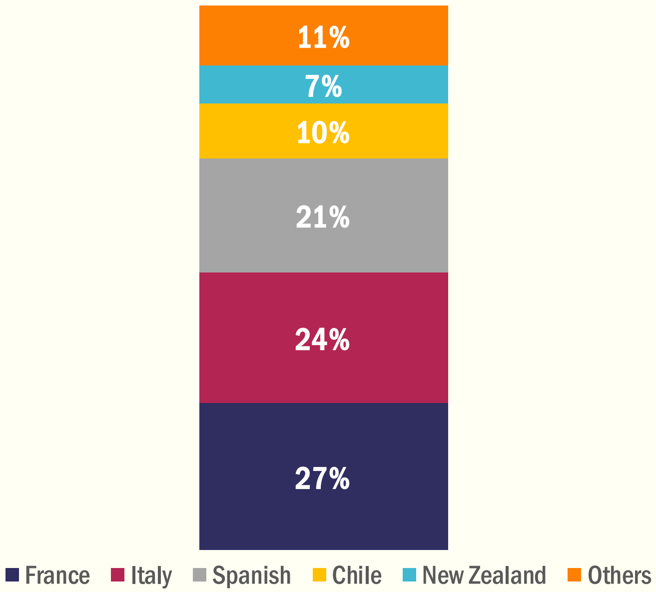
Source: The IWSR

CASE STUDY: UNITED KINGDOM

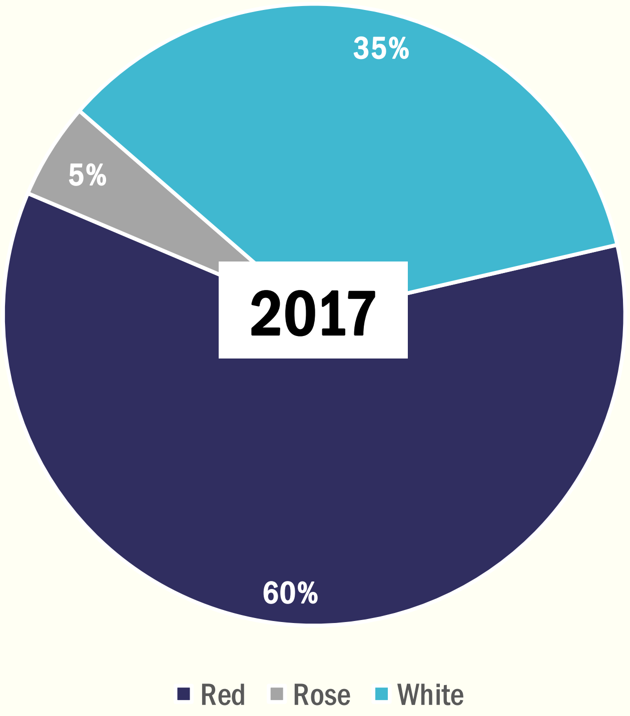
2017 SNAPSHOT

Organic Wine Share by Origin
(Volume 000s 9l cases)

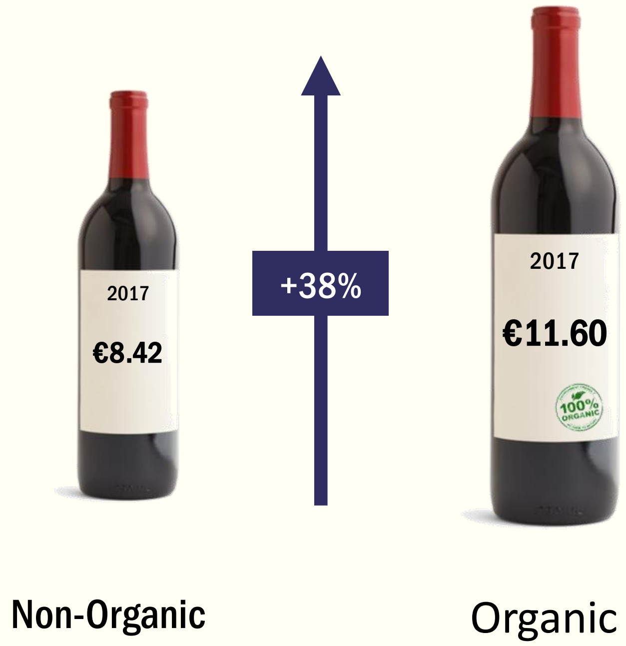
5,715



Organic Wine Share by Colour



Average Price per 75cl[1]



Source: The IWSR

1. Across **all domestic** channels, excludes Travel Retail

*IWSR segmentation is based on price and converted to equivalent price points for global comparison. Equivalent price points are: Super Premium+ (>€15); Premium (€7.50-€14.99); Standard (€3.00-€7.49); Value and Below (<€3)

Summary

Total UK wine consumption is in decline. Still wine is losing share to sparkling, but it still accounts for over eight in every ten bottles consumed.

Organic wines have **taken share from non-organic**, and are **growing in a declining market**, with a CAGR of over 11% in 2012-17. However, they remain niche. The average price per bottle is £10.21 (vs £7.38 market average)[1].

Australia is the leading country of origin for the entire still wine category, but in the organic wine space other suppliers come to the fore – **notably from the Old World.**

Similarly, **organic wines are skewed towards red wine**, whereas across the market as a whole the share between red and white is more evenly distributed.

UK shoppers are still a little **confused about organic wines**, but fundamentals are solid with organic foodstuffs growing in popularity. Health awareness, premiumisation and increased availability are other key factors.

While organic is growing strongly, still wine as a whole is nonetheless in decline. As a result, organic growth is forecast to be **held back by overarching still wine consumption decline.**

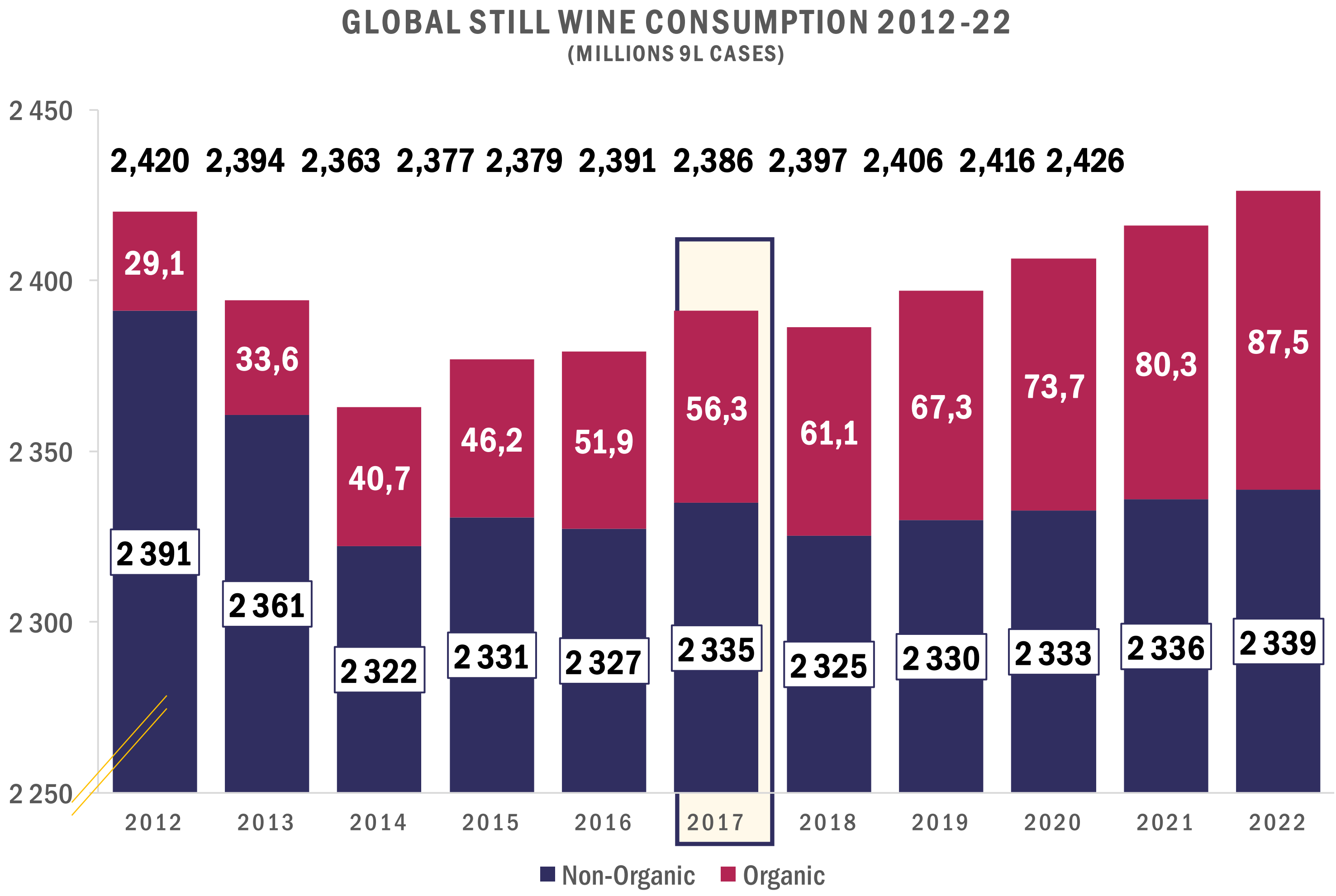
Source: The IWSR
1. Excludes Travel Retail

CONTEXT

ORGANIC WINE 2012-17

ORGANIC WINE 2017-22

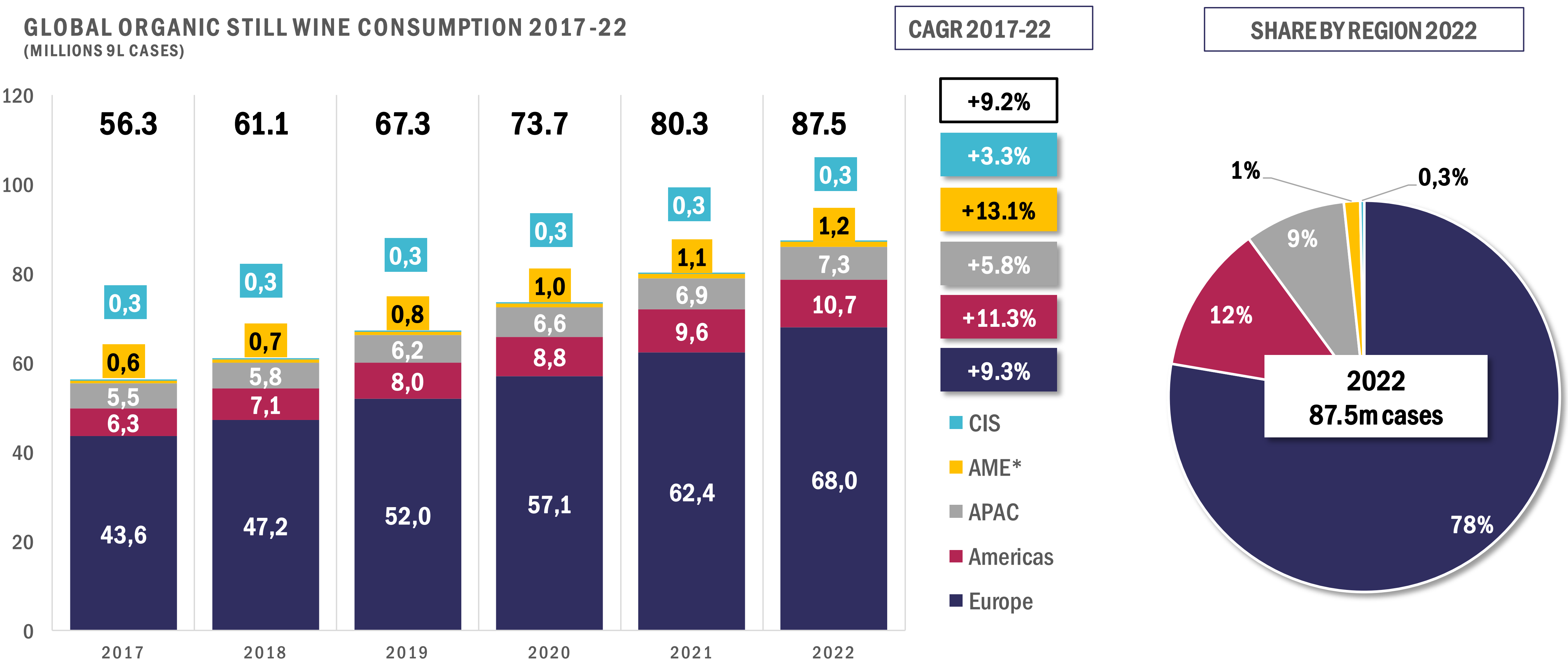
Global organic still wine consumption is forecast to grow by **30m cases to 2022** at a **CAGR of 9.2%**. While thriving, it will remain a **niche** part of the market – by 2022, its share of the global category will have grown to just over **3%**.



	Share 2017	CAGR 2012-17	CAGR 2017-22
Organic	*2.4%*	14.1%	9.2%
Non-Organic	*97.6%*	-0.5%	0.0%
Total	**-**	**-0.2%**	**0.0%**

Source: The IWSR
Excludes Travel Retail

Current **geographic dynamics** are forecast to continue with **Europe dominating.** Growth in the Americas is forecast to accelerate.



Source: The IWSR
Excludes Travel Retail
*Africa & Middle East

As organic geography expands, **smaller markets** like **Spain, Norway, South Africa** will be among the largest-growth markets in 2017-22. Still though, **Germany** and **France** will dominate growth....

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Leading Markets 2017 (Mns 9l cases)

Rk	COUNTRY	Volume 2017	Share 2017	CAGR 2012-17
1	Germany	13.5	23.9%	17.9%
2	France	9.3	16.4%	15.1%
3	UK	5.7	10.2%	11.2%
4	US	4.5	7.9%	12.4%
5	Sweden	4.2	7.4%	34.6%
6	Japan	3.4	6.0%	8.2%
7	Austria	1.9	3.4%	3.9%
8	Italy	1.3	2.4%	30.0%
9	Spain	1.3	2.2%	45.0%
10	Hungary	1.2	2.0%	2.0%
-	*Others*	*10.2*	*18.1%*	*10.0%*
-	**Total**	**56.3**	**-**	**14.1%**

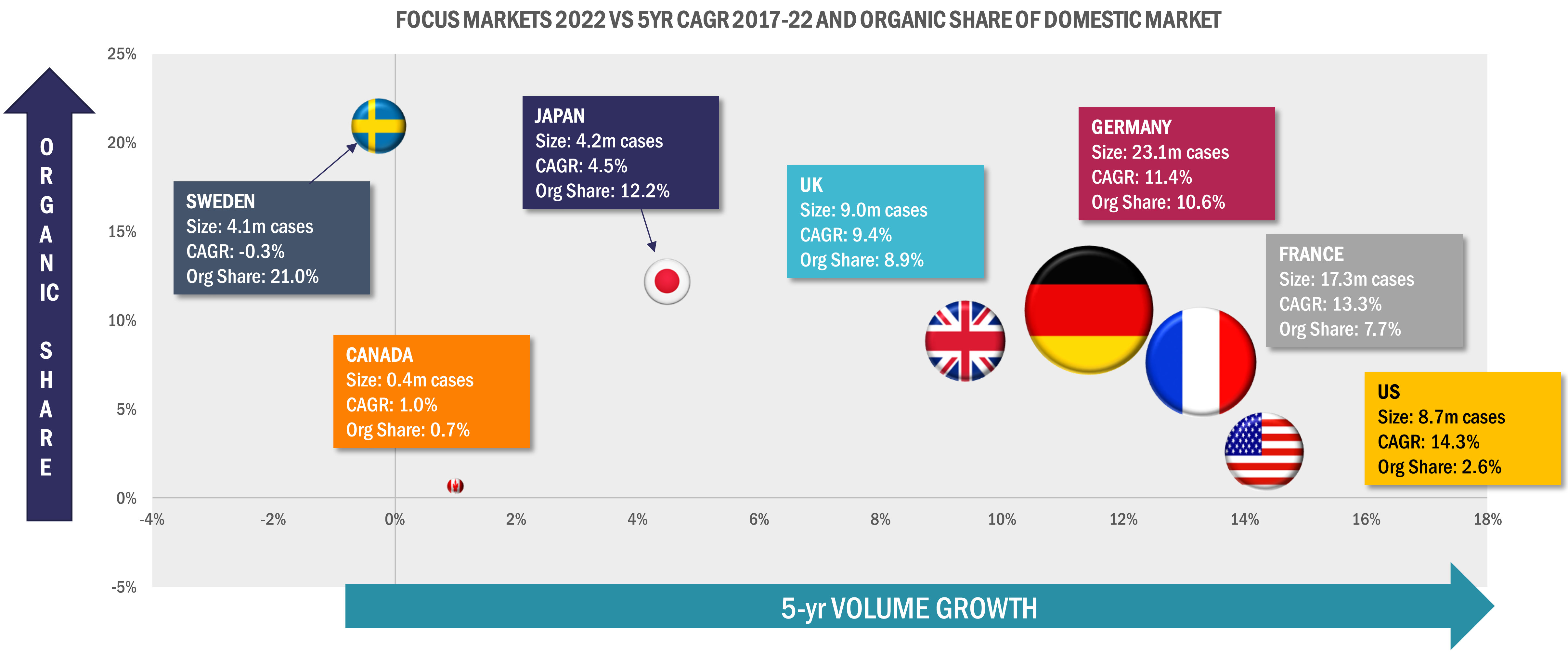
Growth Markets 2017-22 (Mns 9l cases) [1]

Rk	COUNTRY	Volume 2022	Growth 2017-22	CAGR 2017-22
1	Germany	23.1	9.7	11.4%
2	France	17.3	8.0	13.3%
3	US	8.7	4.2	14.3%
4	UK	9.0	3.2	9.4%
5	Spain	2.2	1.0	12.4%
6	Japan	4.2	0.8	4.5%
7	Norway	1.0	0.5	13.5%
8	South Africa	0.9	0.4	13.6%
9	Italy	1.7	0.4	5.4%
10	China	1.2	0.4	8.4%
-	*Others*	*18.1*	*2.5*	*3.0%*
-	**Total**	**87.5**	**31.2**	**9.2%**

Source: The IWSR
Excludes Travel Retail
1. Sorted by growth 2017-22

IWSR

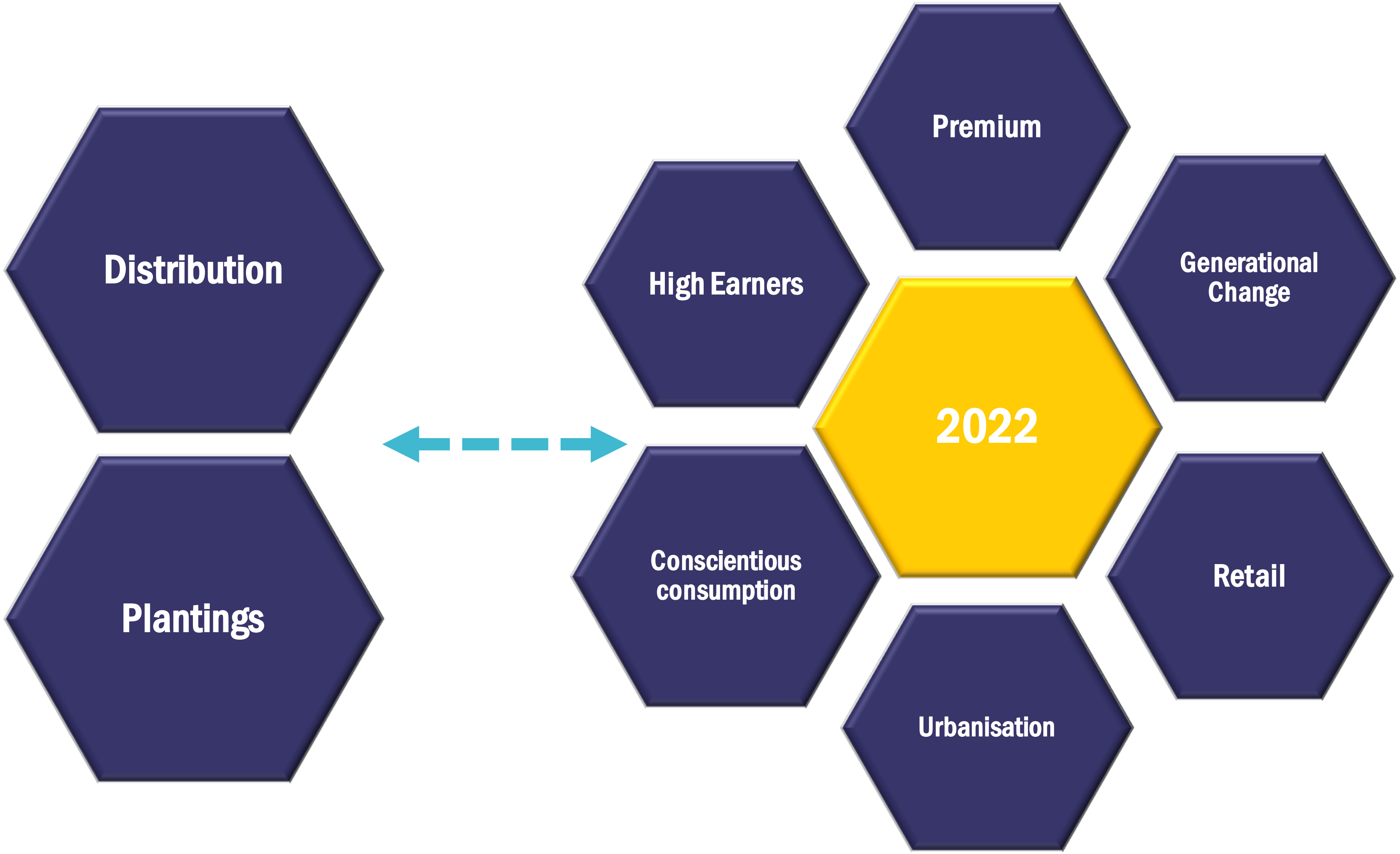
Outside these two, **UK** and **US** are forecast to be among the most **dynamic** markets. Organic wine share in the **UK will grow to 9%** of the total category; in the **US**, organic wines are expected to remain **niche despite dynamic growth**.



Source: The IWSR
Excludes Travel Retail

ORGANIC STILL WINE

GROWTH FOUNDATIONS



Source: The IWSR

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EXECUTIVE SUMMARY

Currently, **organic wines account for just 2.4% of global consumption**. However, they are growing strongly.

Total still wine consumption is expected to increase by 35m cases to 2022. **Organic wine consumption is forecast to increase by 30m cases.**

Europe dominates the organic wine market with a 77% share. This is expected to increase to 78% by 2022.

The US lags behind Europe in organic wines, despite being a key growth driver for the overall still wine market. However, organic growth here is forecast to accelerate in 2017-22.

Source: The IWSR

IWSR

EXECUTIVE SUMMARY (cont'd)

Germany is the world's largest market for organic still wine and is the largest market for organic red and white wines. France is the world's largest consumer of organic rosé.

Germany is the world's largest importer of organic wines, followed by the UK, Sweden and Japan.

Organic Old World wines are the most imported with New World lagging far behind – at least across key markets.

Moving forward, **other European markets are expected to maintain Europe's fast growth** as the rate of expansion across Germany, France and the UK slows down.

Source: The IWSR

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CONCLUDING REMARKS – What makes a good organic opportunity?

WINE LITERACY / EVOLVED WINE MARKET

STRONG LOCAL INDUSTRY

WEALTH

REGULATION ALIGNMENT

ECOMMERCE

METROPOLITANISM

Source: The IWSR

IWSR